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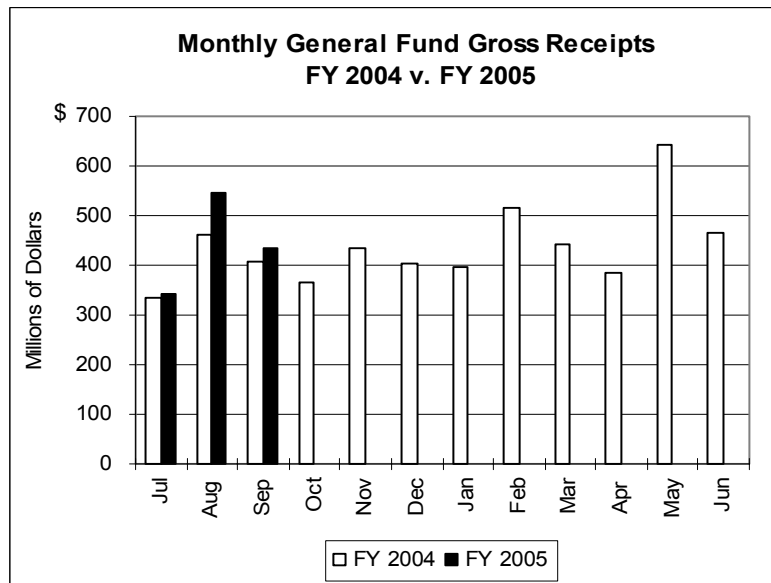
ADMINISTRATIVE SERVICES  
 TIMOTHY C. FALLER

## MEMORANDUM

TO: Members of the Iowa Senate and  
 Members of the Iowa House of Representatives  
 FROM: Dennis C. Prouty  
 DATE: October 1, 2004

### Monthly General Fund Receipts through September 30, 2004

The attached spreadsheet presents year-to-date FY 2005 General Fund receipts, with comparable figures for actual FY 2004. The figures can be compared to the FY 2005 estimate of \$5.229 billion set by the Revenue Estimating Conference (REC) on March 19, 2004. The FY 2005 estimate is a decrease of \$28.4 million (- 0.5%) compared to actual FY 2004 gross cash receipts (excluding transfers and accrued revenue changes). The current negative growth projection is due to FY 2004 gross cash receipts exceeding REC projections. The next Revenue Estimating Conference will be held October 11, 2004.



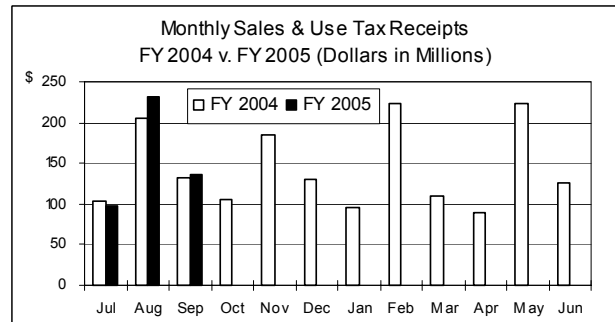
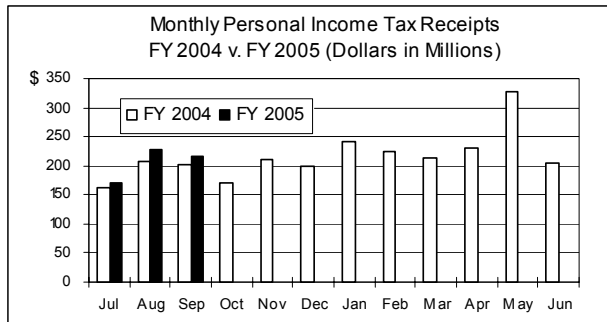
### FY 2005 Compared to FY 2004

FY 2005 total cash gross revenues (excluding transfers) increased \$114.7 million (9.5%) compared to FY 2004 (through September). Major revenue sources contributing to the change include:

- Personal income tax (positive \$42.7 million)
- Sales/use tax (positive \$23.3 million)
- Corporate tax payments (positive \$11.3 million)
- Other taxes (positive \$20.1 million)
- Other receipts (positive \$17.2 million)

**Personal income tax** revenues received in September totaled \$216.0 million, an increase of \$13.4 million (6.6%) compared to September 2004. For the month, withholding tax payments increased 2.8% and estimated tax payments increased 16.7%. Payments with returns are not a significant revenue source in September.

The FY 2005 REC income tax estimate of \$2.624 billion represents a projected increase of 1.2% compared to actual FY 2004. Year-to-date, income tax receipts have increased 7.5%. The following Chart compares FY 2005 monthly personal income tax receipts from the three personal income tax sub-categories with FY 2004.



**Sales & Use tax** receipts received in September totaled \$137.0 million, an increase of \$4.2 million (3.2%) compared to September 2003.

The REC estimate for FY 2005 sales/use tax receipts is \$1.776 billion, an increase of 2.5% compared to actual FY 2004. Year-to-date, sales/use tax receipts have increased 5.3%. The preceding Chart compares FY 2005 monthly sales/use tax receipts with FY 2004.

**Corporate tax** receipts received in September totaled \$27.2 million, a \$7.5 million increase (38.1%) compared to September 2003.

The REC estimate for FY 2005 corporate tax receipts is \$199.7 million, which represents a decrease of 14.9% compared to actual FY 2004. Year-to-date corporate tax receipts have increased 29.6%.

**Other tax** receipts received in September totaled \$21.9 million, a \$0.9 million (4.3%) increase compared to September 2003. Franchise tax receipts were up for the month while miscellaneous tax receipts were down.

The REC estimate for FY 2005 receipts from other taxes is \$336.7 million, which represents a decrease of 8.1% compared to actual FY 2004. Year-to-date, other tax receipts have increased 33.0%. The large increase is due to insurance premium tax rate and due date changes taking place in FY 2005 and will result in extra revenue in the first eight months of the fiscal year and reduced revenue during the final four months. This will cause the revenue category to appear above projections during those first eight months.

**Other receipts** (non-tax receipts) received in September totaled \$31.7 million, a decrease of \$0.9 million (- 2.8%) compared to September 2003. Fee revenue decreased \$2.9 million for the month.

The REC estimate for FY 2005 other receipt revenue is \$293.2 million, which represents a decrease of 11.7% compared to actual FY 2004. The projected decrease relates to transfers from the Unclaimed Property Fund. Year-to-date, other receipts have increased 18.6%. The increase is due to a large unclaimed property transfer in early July.

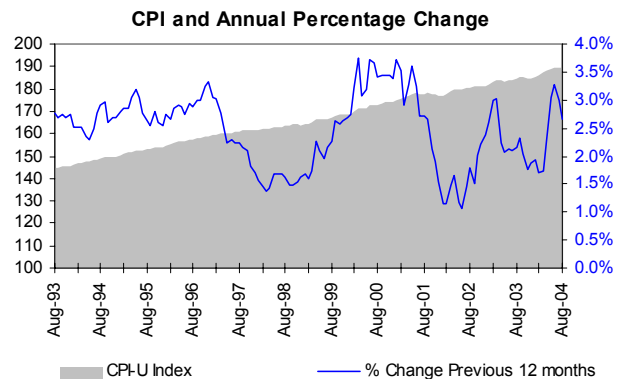
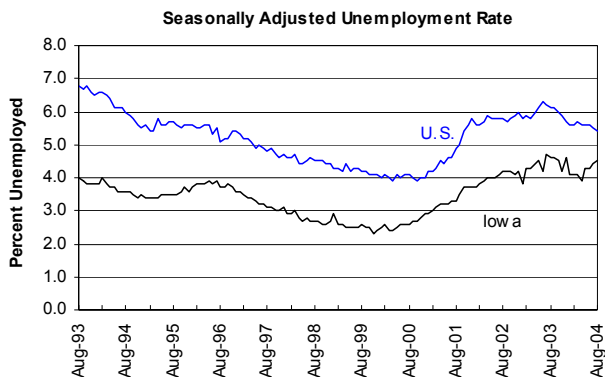
## Status of the Economy

The August seasonally adjusted Iowa civilian unemployment rate was 4.5%, an increase of 0.1% compared to the July level and 0.1% lower than one year ago. Iowa's total seasonally adjusted August 2004 employment registered at 1,558,100, up 32,800 (2.2%) from last year's August level.

The number of unemployed persons in Iowa was reported at 74,200 in August, an increase of 600 compared to August 2003.

The U.S. unemployment rate for August 2004 was 5.4%, 0.9 percentage points above the Iowa rate. The U.S. rate one year ago was 6.1%.

Consumer prices increased 0.1% during the month of August (not seasonally adjusted). The Consumer Price Index (CPI-U) through August 2004 was 189.5 (1983/84=100), 2.7% higher than one year ago. The following charts illustrate Consumer Price Index and U.S./Iowa unemployment comparisons through August.



Information related to State General Fund receipts is available on the Fiscal Services Division's web site at: <http://staffweb.legis.state.ia.us/lfb/revdebt.htm>.

GENERAL FUND RECEIPTS - FY 2004 vs. FY 2005 July 1 through September 30, in millions of dollars Dollars may not add due to rounding. Percentages Calculated on Rounded Numbers					ESTIMATED GENERAL FUND RECEIPTS in millions of dollars FY 04 Actual Compared to FY 05 REC Estimate		
	FY 2004	FY 2005	Year to Date % CHANGE	September % CHANGE	Actual FY 2004	Estimate FY 2005	Projected % CHANGE
Personal Income Tax	\$ 570.7	\$ 613.4	7.5%	6.6%	\$ 2,592.3	\$ 2,623.7	1.2%
Sales/Use Tax	442.9	466.2	5.3%	3.2%	1,732.3	1,776.1	2.5%
Corporate Income Tax	38.2	49.5	29.6%	38.1%	234.8	199.7	-14.9%
Inheritance Tax	19.4	21.7	11.9%	1.4%	80.1	72.0	-10.1%
Insurance Premium Tax	5.3	21.5	305.7%	-100.0%	138.2	114.8	-16.9%
Cigarette Tax	22.0	22.6	2.7%	1.3%	87.1	84.1	-3.4%
Tobacco Tax	2.1	2.2	4.8%	14.3%	8.0	8.1	1.0%
Beer Tax	4.1	4.1	0.0%	0.0%	14.0	14.0	0.0%
Franchise Tax	7.6	8.3	9.2%	58.5%	38.0	42.2	11.0%
Miscellaneous Tax	0.4	0.6	50.0%	-400.0%	1.1	1.5	39.1%
Total Special Taxes	\$ 1,112.7	\$ 1,210.2	8.8%	6.9%	\$ 4,925.9	\$ 4,936.2	0.2%
Institutional Payments	3.1	3.3	6.5%	140.0%	13.7	14.7	7.4%
Liquor Profits	10.3	10.3	0.0%	0.0%	58.0	54.0	-6.9%
Interest	1.5	1.6	6.7%	0.0%	7.6	4.4	-41.8%
Fees	16.3	13.3	-18.4%	-48.3%	79.9	65.0	-18.6%
Judicial Revenue	7.8	8.0	2.6%	12.5%	57.5	57.3	-0.3%
Miscellaneous Receipts	11.5	26.6	131.3%	7.4%	55.3	37.8	-31.7%
Racing and Gaming Receipts	42.1	46.7	10.9%	5.5%	60.0	60.0	0.0%
TOTAL GROSS RECEIPTS	\$ 1,205.2	\$ 1,319.9	9.5%	6.1%	\$ 5,257.8	\$ 5,229.4	-0.5%